In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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Statement of details of parent law and other information for an overseas company

Companies House

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COMPANIES HOUSE

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT f**
You cannot use this form
an alteration of manner c
with accounting requirem

Part 1 Corporate company name

Corporate name of overseas company ❶: Emerald Energy Plc

UK establishment number: B R 0 0 2 4 4 3

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷: The Isle of Man Companies Act 2006

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts: Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸: International financial reporting standards

❸ Please insert the name of the appropriate accounting organisation or body.

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Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ No. Go to **Part 3 'Signature'**. ☑ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	BDO LLP	

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature X X
	This form may be signed by: Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Yaohui Hu
Company name	Emerald Energy Plc
Address	Fourth Floor,
	20-22 Bedford Row
Post town	London
County/Region	London
Postcode	W C 1 R 4 E B
Country	UK
DX	
Telephone	+44 (0)20 7925 2442

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
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DX ED235 Edinburgh 1.

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
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This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

EMERALD ENERGY PLC

Report and Financial Statements

Year Ended

31 December 2021

Isle of Man Company Number 004679V

UK foreign registered number FC017959

Emerald Energy Plc

Report and financial statements
for the year ended 31 December 2021

CONTENTS

PAGE:

Directors

Mr Zhang Guoqing
Mr Dai Chenhan
Mr Lei Jiazhao
Mr Zhang Chao

Registered office

First Floor, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH

Company number

FC017959

Auditors

BDO LLP; 55 Baker Street, London, W1U 7EU.

STRATEGIC REPORT

The directors present their strategic report and the directors' report, together with the Company financial statements for the year ended 31 December 2021.

Results and dividend

The Company profit for the year, after taxation $130.1 million (2020: $81.7 million loss). The directors do not recommend payment of a final dividend.

Principal activities

The Company's principal activities during the year were the exploration and production of hydrocarbons in Colombia.

Business review and future developments

Colombia

In Colombia, the Company operations are based in four areas, namely: the Campo Rico block in the Llanos basin, the Matambo and VSM32 blocks in the Upper Magdalena basin, the Maranta block in the Putumayo basin and the Ombu, Nogal and Ceiba blocks in the Caquetá Basin. The Company also owns interests in the OAM and ODC pipelines in Colombia therefore guaranteeing access to these pipelines. The Company's interest in the ODC pipeline also pays annual dividends from the profits generated by the pipeline, in 2021 $ 8.2 million (2020: $8.1 million).

After a year of economic difficulties, the gradual recovery of the economy in all its different sectors has led to a huge demand for energy resources across the globe. During 2021, the Company continued to optimise general and administrative cost to offset higher production costs due to the impact of COVID-19. This recovery can be evidenced by the significant increase in revenues, mainly due to the general increase in crude oil prices and the growth in production as the Company completed the reopening of Capella and Matambo key wells. Additionally, a reversal of impairment in oil and gas assets was recognized due to an increase in reserves and oil prices as at 31 December 2021 reflected in the oil and gas assets' economic models. The total reversal of impairment was $164.2 million (2020: impairment of $102.7 million), mainly due to the increase in the crude oil prices forecast.

Outlook

In 2022, the Company plans to continue to test different lifting technologies and continuing to fulfil its minimum development obligations under its concession contracts in Colombia. In 2022, the Company will continue to carry out workover operations for the four main production blocks, focus on production management, appropriately and rationally arrange investment in each block, and respond to the optimization of existing assets. During 2022, crude oil prices are increasing higher again and are expected to be very volatile, after reaching $100 per barrel. The key factors of the scalation on prices are primarily based on the intervention of Russia within Ukrainian territory, causing sanctions on Russia's oil exports, combined with the possibility of a protracted war, would continue to offer support for a rise in prices. On the other hand, the lower demand from China due public policy "Zero Covid" it could mitigate the increasing prices. The oil market could reach equilibrium by the end of this year, with a rise in U.S. and OPEC+ production.

In 2023, the Company will continue carrying out the 3 years long term plan, that include field management improvement around asset optimization, project management, operation procedure improvement, and risk control in order to improve the operating efficiency. The Company will also carry out cost control and supervision continually, around budget management, pre-evaluation, post evaluation, execution tracking and procedure update to guarantee the efficiency of cost control.

The key performance indicators are provided in the tables below.

Key performance indicators

		2021	2020
Net entitlement production	(a)	1,229 mbbl	993 mbbl
Operating netback per barrel of entitlement production	(b)	$ 22.52	$(4.07)
Return on Assets (ROA)	(c)	56.95 %	(39.15) %
Return on Equity (ROE)	(d)	52.23 %	(36.31) %

(a) In 2021, 100% of net entitlement production was generated in Colombia (2020 – 100% in Colombia). In 2021, economic changes prompted the Company to make decisions in order to achieve the highest efficiency, mainly in crude oil production. In this regard, the Company calculated, tracked and updated the break-even price and decision price, and opened fields and wells that became profitable. In the future, the Company expects net entitlement production in Colombia increase supported through drilling of new wells and normalization of operations post-pandemic.

(b) Operating netback per barrel is revenue per barrel after production costs and administrative expenses, calculated on the entitlement basis. In 2021, the main driver of the increase in net operating yield per barrel is that there was an increase in production at lower marginal costs.

(c) Return on assets is calculated as the profit/loss for the year divided by the average assets for the year. Unlike the previous year, the result is positive, as the temporarily closed assets were successfully opened generating income. The Company made this decision based on the substantial improvement in international oil prices.

(d) Return on equity is calculated as loss for the year divided by average shareholder equity for the year, during 2021 the reversal impairment recognised for the oil assets caused a significant recovery in profitability.

Business risks and uncertainties

The Company's business is subject to risks inherent in oil and gas exploration, development, and production operations. In addition, there are risks associated with the jurisdictions where the Company operates. The Company has identified certain risks pertinent to its business including:

Risk	Description	Management strategy	Change from prior year
Sovereignty risk	The occurrence of situations that may affect the political and regional environment where the Company operates, especially in Colombia, could make access difficult to the geographical areas where the oil fields are located.	In order to manage this, the Company invests in local community relations and has a dedicated team that is charged with having direct communication with local authorities, the Army and any other third parties. For 2022 the presidential elections will be a focus of much attention due to the possible impact on the industry due to the measures that the new government may take especially in the production of unconventional reservoir.	For 2022 the presidential elections, and depending on new government, may cause a change in the management of community and social plans.

Risk	Description	Management strategy	Change from prior year
Volatility of future oil and gas prices	The nature of the commodity sold by the Company, and the markets where it is traded, impose a market risk to the company, since price fluctuations have significant impact on the overall performance of the Company. A fall in the price may not only reduce short-term cash flow required to meet the Company's commitments as they fall due, but also reduce the economic value and funding capacity of the Company's projects potentially rendering them uneconomic. Conversely, an increase in the price of oil has a positive impact of the Company's result.	The Company sells its oil at spot prices therefore it is exposed to the oil price risks. The Company's policy does not allow to carry out any derivative activities to limit the price risk. The Company applies different commercial strategies according to the specific situation of each field, therefore seeks to maintain a low operating break-even to provide a natural operational hedge to mitigate against prolonged periods of low oil prices. This ensures investment opportunities are robust to most plausible downside oil price scenarios.	The word continues to increase energy oil demand, and in response to Russia's military action in Ukraine in 2022 the US and EU and many other countries have imposed broad economic and trade sanctions. The Company result until now is positive due the higher price oil however in response to any oppositive variation every month the Company continue monitoring the break-even to avoid possible losses.
Exploration and reserve risks	Geological risk corresponds to the difficulty of extraction and to the possibility that the calculated reserves are lower than estimated, due to the fact that the price and value of the Company is determined by the value of its reserves.	The Company review technologies for heavy oil field development, research on water plugging and sand control technology, pilot test well screening, and ensured the increase of technically recoverable reserves the CSS project (thermal recovery) in the Ombu block.	No Change
Drilling and operating risks	The Company is exposed to the probability of an undesired event occurring, measured in terms of its consequences for personnel, the population, facilities, equipment, and the environment.	The Company's HSQ department is in charge of the supervision of the safety of the drilling and workover, and normal operation activities in the fields to avoid any accident or assets losses. The Company has a sophisticated management system to regulate the execution of the activities in the fields, which includes incident prevention, hazard identification, contractors HSQ management, HSQ periodically training etc., to prevent the drilling and operating risks.	No Change

Risk	Description	Management strategy	Change from prior year
Costs and availability of materials and services	There is a risk that the costs and availability of materials of services may increase significantly due to increase in inflation associated with country risk as Colombia.	In order to manage this, the Company has an efficient procurement management system, and also has built up a supplier database that is used for the bidding process for each procurement project. The supplier database contains mass information on the suppliers in the market such as companies providing oil services and goods. The Company has also established an integrated budget and cost control procedure in order to control these costs effectively. The Company's procurement department has a very close connection to the market and undertakes market surveys against the key materials and services required periodically.	Although the rise in crude oil prices could mean higher income for the Company, the increase in inflation during 2022 begins to have an impact on the costs of industry suppliers, for this the Company carefully reviews periodically the cost of the lift and in terms of investment continue to be cautious.
Production sharing	The Company needs to pay a royalty to the government (ANH or Ecopetrol) as per the production and royalty rate on each field. The royalty rate ranges from 6% to 20% as per the quality of the crude and the principles defined in the contracts the Company signed with the government. The Company needs to pay royalties to Ecopetrol in crude for the production of Campo Rico block and Matambo block and needs to pay a royalty to ANH in cash for the production of Ombu block and Maranta Block.	The Company mitigates the risk in Colombia due each partner as part of joint venture agreement, directly markets its share of the crude produced	No Change

Risk	Description	Management strategy	Change from prior year
Foreign currency	Foreign exchange risk occurs when purchases of products are denominated in one currency, while sales of such products are denominated in another currency.	The Company monitors, assesses and mitigates some of these risks by retaining an experienced team of professionals and using modern technologies in its operations. Further, the Company has focused its activities on known hydrocarbon basins in jurisdictions with an established presence of long-term ventures with international oil and gas companies, existing infrastructure of services, oil and gas transportation facilities, and reasonable proximity to markets.	At a general level, the increase in the price of the dollar is beneficial for the export sector and also generates an increase in the income of the oil industry, but it has the opposite effect due to the devaluation of the currency in the country where the Company operates that is Colombia, this implies paying more for imported raw materials
Climate Change	The climate change activism has become mainstream and demanding far more action to cut greenhouse emissions and the climate change is a task that falls to all sectors, and for this reason the companies in the hydrocarbon value chain have assumed a leading role in the challenges of mitigation and adaptation, which is also essential to guarantee sustainable energy supply that any country requires.	The Company to improve environmental management branch created an independent environmental area focusing on environmental management, such as the environmental compliance monitoring, in the conservation and recovery of hydrographic basins; and biodiversity conservation and restoration.	Review the participation that the Company can have in the adopt and implement of the Comprehensive Climate Change Management Plan issued by resolution in Colombia.

The Coronavirus Pandemic (COVID-19)

Throughout the pandemic, the Company has taken a series of measures aimed at ensuring the sustainability of the business, focusing its strategy on cash generation opportunities with better equilibrium prices, maintaining dynamics of growth focused on the execution of strategic asset development plans and the preservation of asset value through investments that provide reliability, integrity and continuity to the operation.

For 2021, the Company participated in the vaccination program for all employees through the only possible mechanism called 'Employers for Vaccination', led by "Asociación Nacional de Empresarios de Colombia" (ANDI), in accordance with the regulations issued by the National Government. In this way, the business sector contributed to speeding up vaccination against Covid-19 and advancing in a safer way of working.

As for the oil and gas industry, the behaviour of the prices of crude oil and products during the year 2021 showed a recovery due to factors such as:

a) The efforts of the Organization of Petroleum Exporting Countries (OPEC) to keep the market balanced,

b) The progress of vaccination campaigns in several countries around the world,

c) The strengthening of the demand for fuels, driven by the economic recovery, once the peaks of COVID-19 in Colombia have been overcome and

d) The elimination of restrictions on various international routes.

The Company will continue to monitor the evolution of the pandemic and the market, reviewing the indicators of impairment of long-lived assets, the behaviour of accounts receivable, fair value measurements of financial assets, changes in operating income, reserve levels, among others.

By order of the Board

Dai Chenhan 戴晨晗

Director
23 November 2022

DIRECTORS' REPORT

The directors present their report together with the company financial statements for the year ended 31 December 2021.

Dividends

No dividends have been recommended and paid in the year (2020: £Nil) and no further dividends have been paid out after the year end and up to the date of this report.

Political donations and expenditure

There have been no political donations or political expenditure made during the year (2020: No such expenditure).

Strategic report

The information that fulfils the Company Act requirements of the business review is included in the strategic report. This includes a review of the development of the business of the Company during the year, of its financial position at the end of the year including a going concern statement, financial risk exposure and management together with the likely future developments in its business.

Details of the principal risks, uncertainties and financial risk management are included in the strategic report.

Going Concern

As at 31 December 2021 the Company have net liabilities of $314.2 million (2020: $184.1 million). The 2021 and 2020 net liabilities positions were due to historic impairment reversal and charges recognised in previous years and current year. In 2021 the Company has current assets of $150.3 million, (2020: 109.1 million). The Directors consider that the existing cash balances, future cash generated from operations and financial support from SPEP Energy Hongkong Limited will provide sufficient cash from the Company and Company to fund its working capital requirements, planned expenditure over a period of at least 12 months from signing these financial statements. A letter of support has been received from SPEP Energy Hongkong Limited which confirms the provision of financial support for a period of at least 12 months from signing these financial statements and Sinochem Company also has provided a guarantee for SPEP Energy Hongkong Limited's long-term loan. The financial statements have therefore been prepared on a going concern basis and do not include any adjustments to the recoverability and classification of recorded assets and amounts and classification of liabilities that might be necessary, should the Company and company be unable to continue as a going concern.

Financial risk exposure

The Company is exposed to risks that arise from its use of financial instruments. It is the overall responsibility of the Board to determine the risk management objectives and policies of the Company. While retaining the ultimate responsibility for them, the Board has delegated the authority for designing and operating processes that ensure the effective implementation of these objectives and policies to the finance function of the Company. The Board regularly reviews the effectiveness of the processes put in place and, when required, approves specific policies and procedures designed to mitigate the financial risks.

Research and development

The Company received the production permission certificate of Capella O platform from the government in 2021, and already started Capella O platform's production. The Company is making some previous preparation activities for CSS project in Capella field, in order to increase the production of the field.

Financial instruments

Details of the use of financial instruments by the Company as well as description of risks inherent in use of these financial instruments and the ways the Company seeks to mitigate those risks are provided in notes 16 and 17 to the financial statements.

Directors

The Directors during the period were as follows:

Mr Zhang Guoqing	Mr Dai Chenhan
Mr Zhang Chao	Mr Lei Jiazhao

Directors' indemnity insurance

No directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Indication of existence of branches outside of the UK

The company only has one branch outside of the UK, in Colombia.

Directors' statement as to disclosure of information to the auditor

Each of the Directors, who were all members of the Board at the time of approving the financial statements, confirms that having made enquiries of fellow Directors:

- So far as the Directors are aware, there is no relevant information of which the Company's Auditors are unaware; and
- They have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Subsequent events

The cost optimization continues during 2022 and has allowed a positive result for the Company, with the production that has grown slightly more compared to budgeted and added to the increase in oil prices has kept the price under the breakeven of each field, the Company decide to reopen Capella field considering the higher oil price. The Company also consider continue the CSS project in Capella field, if the oil price can support it at the end of 2022. Except Capella field, the Company's other development fields are running as usual, the Company's production volume will be higher in 2022 than 2021.

There are no other situations of greater impact, the operation has tended a conservative approach, minimal operations and exhaustive review of cost optimization and maintenance of the breakeven.

Auditor

BDO LLP have expressed their willingness to continue in office. As an Isle of Man Companies Act 2006 company, Emerald is not required to be audited but the management have elected for Emerald to be audited.

By order of the Board
Dai Chenhan
戴晨晗
Director
23 November 2022

Emerald Energy Plc

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them on a consistent basis;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International accounting standards in conformity with the requirements of the companies Act 2006 subject to any material departures disclosed and explained in the financial statements: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping reliable accounting records which correctly explain the transactions of the company, and which enable the financial position of the company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

We have audited the financial statements of Emerald Energy Plc ("the Company") for the year ended 31 December 2021 which comprise the Company statement of comprehensive income, the Company statement of financial position, the Company statement of cash flows, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and the Directors report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Audit procedures performed by the engagement team included:

- We obtained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates. We considered the significant laws and regulations to be Companies Act 2006 and the applicable accounting standards.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Company's assets.
- We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We challenged assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the recoverability of exploration and evaluation costs, the useful lives of tangible oil and gas assets, impairment and depletion calculations, and the abandonment and environmental restoration provisions.
- We performed substantive testing on account balances and transactions, which were considered to be a greater risk of susceptibility to fraud;

- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We made enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's Directors, as a body, in accordance with our engagement letter dated 15 February 2021. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
BDO LLP
1CD7395FE716464...

BDO LLP
Chartered Accountants
London
United Kingdom

23 November 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Emerald Energy Plc

Company statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021 $ '000	2020 $ '000
Revenue from oil sales		**72,207**	42,660
Cost of Sales:			
Production costs		**(26,849)**	(20,636)
Depletion and depreciation of oil and gas assets	9	**(12,655)**	(20,714)
Write-offs of unsuccessful exploration costs	9	**(470)**	(262)
Abandonment / Environmental provision	14	**479**	(3,158)
Reversal of oil and gas assets / Impairment (charge)	9	**164,247**	(102,673)
Total cost of sales		**124,752**	(147,443)
Gross profit (loss)		**196,959**	104,783
Other income		**2,558**	3,504
Dividend income		**8,181**	8,098
Total administrative expenses	6	**(9,506)**	(10,912)
Profit (loss) from operations		**198,192**	(104,093)
Finance costs	7	**(3,241)**	(3,381)
Finance income	7	**3,401**	95
Profit (loss) before tax		**198,352**	(107,379)
Taxation	8	**(68,231)**	25,719
Profit (loss) on ordinary activities after taxation		**130,121**	(81,660)
Profit (loss) for the year attributable to owners of the parent		**130,121**	(81,660)
Total comprehensive profit (loss) for the year attributable to owners of the parent		**130,121**	(81,660)

The notes on pages 17 to 42 form part of these financial statements

Emerald Energy Plc

Company statement of financial position
as at 31 December 2021

Company number FC017959	Notes	2021 $ '000	2020 $ '000
Non-current assets			
Property, plant and equipment	9	**231,606**	75,010
Intangible assets	9	**75,471**	74,343
Right of use assets	15	**165**	381
Deferred tax	8	-	38,953
		307,242	188,687
Current assets			
Inventories	10	**16,756**	18,543
Trade and other receivables	11	**60,579**	51,061
Corporation tax receivable	8	**2,941**	2,077
Deferred tax	8	**6,744**	1,786
Cash and cash equivalents	12	**69,991**	37,372
		157,011	110,839
Total assets		**464,253**	299,526
Current liabilities			
Trade and other payables	13	**30,048**	17,748
Accruals		**9,871**	6,393
Lease Liability	15	**91**	257
		40,010	24,398
Non-current liabilities			
Lease Liability	15	-	122
Decommissioning and other Provisions	14	**21,055**	25,945
Deferred tax	8	**34,005**	-
Loans and borrowings	16	**55,000**	65,000
		110,060	91,067
Equity attributable to the shareholders			
Share capital	18	**5,744**	5,744
Share premium	18	**279,790**	279,790
Capital Contribution Reserve		**316,830**	316,830
Retained deficit		**(288,181)**	(418,303)
Total equity		**314,183**	184,061
Total liabilities and shareholders' equity		**464,253**	299,526

Dai Chenhan 戴晨晗
Director
23 November 2022

The notes on pages 17 to 42 form part of these financial statements.

Emerald Energy Plc

Company statement of cash flow
for the year ended 31 December 2021

	Notes	2021 $ '000	2020 $ '000
Cash flow from operating activities			
(Loss) / Profit before tax		**198,352**	(107,379)
Adjusted for:			
Dividend received		**(8,181)**	(8,098)
Depletion and depreciation	3	**12,938**	21,107
Unsuccessful exploration and evaluation costs	9	**470**	262
Impairment (right back) / charge	9	**(164,247)**	102,673
Abandonment provision reversal		**(479)**	3,158
Finance income	7	**(3,401)**	(95)
Finance costs	7	**3,241**	3,381
Net cash generated from operating activities		**38,693**	15,009
Decrease in inventory	10	**1,787**	1,896
Decrease in operating receivables and other assets		**(12,510)**	11,739
Decrease in operating payables and other liabilities		**11,829**	(14,350)
Cash flow from operating activities		**39,799**	14,294
Income tax (paid) / refund		**1,897**	2,545
Net cash outflow from operations		**41,696**	16,839
Cash flow from investing activities			
Investment in property, plant and equipment		**(6,965)**	(6,733)
Proceeds from the sale of assets		**-**	2,810
Dividend received		**8,181**	8,098
Net cash flow from investing activities		**1,216**	4,175
Net cash flow from investing activities			
Lease payments		**(293)**	(333)
Loan repaid		**(10,000)**	-
Net cash outflow from financing activities		**(10,293)**	(333)
Net change in cash and cash equivalents		**32,619**	20,681
Cash and cash equivalents at the start of the year		**37,372**	16,691
Forex movement in cash and cash equivalents		**(20)**	(402)
Net change in cash and cash equivalents		**32,639**	21,083
Cash and cash equivalents at period end		**69,991**	37,372

The notes on pages 17 to 42 form part of these financial statements

Emerald Energy Plc

Company statements of changes in equity for the year ended 31 December 2021
Statement of changes in equity

Company	Share Capital $ '000	Share Premium $ '000	Capital Contribution $ '000	Retained Deficit $ '000	**Total $ '000**
Balance at 1 January 2020	5,744	279,790	316,830	(336,643)	265,721
Changes in equity:					
Loss for the year	-	-	-	(81,660)	(81,660)
Balance at 31 December 2020	5,744	279,790	316,830	(418,303)	184,061
Changes in equity:					
Profit for the year	-	-	-	**130,122**	**130,122**
Balance at 31 December 2021	**5,744**	**279,790**	**316,830**	**(288,181)**	**314,183**

The following describes the nature and purpose of each reserve within shareholders' equity:

Capital Contribution Reserve	Amounts represent profit on sale of Syria Block 26 to a Sinochem Company company
Share capital	Nominal value of amounts subscribed for share capital.
Share premium	Amounts subscribed for share capital in excess of nominal value
Retained deficit	Cumulative net gains and losses recognised in the statement of total comprehensive income.

The notes on pages 17 to 42 form part of these financial statements.

1. Authorisation of financial statements and statements of compliance with international financial reporting standards (IFRS)

IAS 8 requires management to represent faithfully the financial position, financial performance and cash flows of the entity and reflect economic substance of transactions, other events and conditions not just merely legislation. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

These financial statements have been prepared on the basis of a going concern and in line with UK adopted International Financial Reporting Standards (IFRS) and in accordance with applicable Isle of Man Law.

The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2021 are reflected in these financial statements, the impact of the new and revised standards adopted is considered immaterial.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision only affects that year or in the year of revision and future periods if the revision affects both current and future periods. The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value.

Going Concern

As at 31 December 2021 the Company have net assets of $314.2 million (2020: $184.1 million). The 2021 and 2020 net liabilities positions were due to historic impairment reversal and charges recognised in previous years and current year. In 2021 the Company has net current assets of $150.3 million, (2020: 109.1 million). The Directors consider that the existing cash balances, future cash generated from operations and financial support from SPEP Energy Hongkong Limited will provide sufficient cash from the Company to fund its working capital requirements, planned expenditure over a period of at least 12 months from signing these financial statements. A letter of support has been received from SPEP Energy Hongkong Limited which confirms the provision of financial support for a period of at least 12 months from signing these financial statements and Sinochem Company also has provided a guarantee for SPEP Energy Hongkong Limited's long-term loan. The financial statements have therefore been prepared on a going concern basis and do not include any adjustments to the recoverability and classification of recorded assets and amounts and classification of liabilities that might be necessary, should the Company and company be unable to continue as a going concern.

In the second half of each year, the Company prepares the budget and working plan for the following year, according to the operational plans and the forecast of benchmark crude oil price, which include the cash flow budget and costs budget using a conservative approach. On the evaluation of the budgeted performance versus actual results, the Company can identify and address any issues regarding the going concern of the Company and amend the working plans in a timely manner to improve results. The Company also monitors the bank balances and the movement periodically, and prepares cash flow forecasts monthly, to ensure sufficient liquidity is available.

The Company calculates and monitors each oil fields and even each platform's breakeven, whilst also monitoring the benchmark crude oil price (ICE Brent price and Vasconia differential), in order to control the economic production more effectively and efficiently.

2. Accounting policies of Emerald Energy Plc

Basis of accounting and adoption of new and revised standards

i. New and amended standards adopted:

- Covid 19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16): On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted.

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The application of these standards has had no impact on the disclosures, or the amounts recognised in the Company's consolidated financial statements.

ii. New and revised standards in issue but not yet effective

There are several standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments will become effective for the period beginning 1 January 2022 (and, in the case of IFRS 17, 1 January 2023):

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);

- References to Conceptual Framework (Amendments to IFRS 3). Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);

- Definition of Accounting Estimates (Amendments to IAS 8);

- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and

- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

While no formal assessment has been performed, the Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

Functional and Presentation Currency

The Company's functional currency is US dollars and it has adopted US Dollars as its presentation currency.

2. Accounting policies of Emerald Energy Plc *(continued)*

Revenue

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events although this is unlikely to be applicable to any of the sales contracts entered into by the Company. If they were to apply, such estimates are determined using either the "expected value" or "most likely amount" method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenues from contracts with Clients

Income associated with the sale of crude oil and natural gas: The current contracts are for periods of no more than one year and the price is determined at a rate per the contract based on the spot price at that point in time. There is designated point of delivery where control passes within each contract, and this is considered by Management to be the point when the performance obligation is met.

Transfer of transport capacity: The Company is a shareholder of the company Oleoducto de Colombia (ODC) and, as such, has a capacity to transport and has the right of priority over the capacity corresponding to its shareholding.

Given the current production levels, the Branch does not occupy 100% of this right and has decided to partially and temporarily assign the capacity owned to other companies.

The maximum capacity transferred to each company has been contractually established, however the assignee is obliged to inform the Branch before the ODC nomination deadline dates, the volumes for each month of operation that it will nominate and during the term of the contract the parties may agree to use an additional capacity to that referred to as maximum under the spot modality, according to the availability of the Branch.

Revenue is net of royalties in the accounting period. Royalty payments in cash or in kind are excluded from gross revenues and costs. Overlifts of entitlement to crude oil production are recorded as cost of sale and measured at the market value.

Other Income

Other income is mainly income received from general and administrative expenses recharged by the Company to the Company's partners where the Company is the operator of a field.

Dividend income

Dividend income is recognised when received and relates to the Company's interest in the ODC pipeline.

2. Accounting policies of Emerald Energy Plc *(continued)*

Foreign Currencies

The Company translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than US dollar are translated at the yearend exchange rate with any exchange gain or loss going to profit and loss.

Oil and Gas Assets

The Company applies the successful efforts-based method of accounting for oil and gas operations.
Under the successful efforts-based method of accounting, costs are capitalised if they lead to or represent the development of the oil and gas assets that either have to be appraised or have been appraised as successful. If evaluation of the oil and gas asset leads to the conclusion that the asset is not economic, the costs incurred acquiring this asset are expensed as exploration cost. If evaluation of the oil and gas asset leads to the conclusion that the asset has economic value, but the costs incurred acquiring and developing this asset exceed this value, the excess costs are expensed as exploration cost. The costs incurred to evaluate potential assets prior to grant of exploration and production ("E&P") licenses are expensed.

Intangible Oil and Gas Assets

Intangible oil and gas assets represent costs that have been incurred after the grant of the license where the properties still have to be evaluated and where production of hydrocarbons has yet to commence. Costs related to such unevaluated properties are not amortised until such time as the related property has been appraised and put on production. Costs that have been incurred to acquire a licence for the use of a pipeline are amortised over the economic useful life of the producing assets that use the pipeline.

Tangible Oil and Gas Assets

For evaluated properties with economic values exceeding the exploration and development costs incurred after the grant of the license, these costs, which may include geological and geophysical costs, costs of drilling exploration and development wells, costs of field production facilities, including commissioning, decommissioning and infrastructure costs, are capitalised. These expenditures are combined into asset Companys reflecting the anticipated useful lives of individual assets and subsequently are depreciated over the expected economic lives of those asset Companys.

The expenditure within the asset Company with a useful life equal to the producing life of the field is depleted on a unit-of-production basis. The assets formed by capitalisation of these costs are referred to as *tangible oil and gas assets*.

An asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, which is when the sale is highly probable, and it is available for immediate sale. Assets classified as held for sale are measured at the lower of the carrying amount upon classification and the fair value less costs to sell. On classification of an asset as held for sale, depreciation ceases.

Property, Plant and Equipment

Other tangible fixed assets, currently comprising furniture and fittings and vehicles, communications equipment and computer equipment, are depreciated on a straight-line basis over five and three years, respectively.

Decommissioning

Provisions for decommissioning costs are recognised in accordance with IAS 37. Provisions are reviewed at each reporting date to reflect the current best estimate of the cost at present value. The unwinding of the discount is reflected as a finance expense. A decommissioning asset is also established, since the future cost of decommissioning is regarded as part of the total investment to gain access to future economic benefits and included as part of the cost of the relevant development and production asset. Depletion on this asset is calculated under the unit of production method based on commercial reserves.

2. Accounting policies of Emerald Energy Plc *(continued)*

Impairment Review

Impairment reviews of tangible assets are carried out on a block-by-block basis or if more appropriate as collective blocks, these Companys are referred to as cash generating units. On classification as held for sale, the carrying amounts of property, plant and equipment and intangible assets are also reviewed. Cash generating units are the smallest identifiable Company of assets that generate cash inflows that are largely independent of the cash inflows from other assets or Companys of assets. At each reporting date, the net book values of the tangible assets are compared to the net present values of expected future cash flows from the relevant block or cash generating unit. If the net book value is higher than the estimated recoverable amount of the asset, then the difference is written off to Profit and Loss. If the asset has been previously impaired and the net book value is lower than the estimated recoverable amount of the asset, then the difference up to the recoverable amount or previous impairment, whichever is the lower, is written back through the Profit and Loss. Expected future cash flows are calculated using production profiles and costs determined on a block-by-block basis by in-house engineers, using appropriate petroleum engineering techniques, and using oil price forecasts which are developed by the Company for business planning purposes.

Exploration and appraisal assets are regarded as intangible fixed assets until it has been established whether they are associated with commercially producible reserves of hydrocarbons or not. If the efforts associated with the costs of these assets are successful, these assets are reclassified into tangible assets, which are subject to regular impairment reviews on a block-by-block or cash generating unit basis. If the efforts associated with the costs of these assets are unsuccessful, the carrying cost of these assets is written off to profit or loss in accordance with the successful efforts-based accounting method.

Provisions, Contingent Liabilities and Contingent assets.

Provisions are recorded at the present value of the expenditures expected to be required to settle the Company's future obligations.

Inventory

Inventory is comprised of either produced oil awaiting delivery to the point of sale, oil purchased from 3rd parties or certain materials and equipment that are acquired for future use. The oil inventory is valued at the lower of average production cost and net realisable value, purchased oil and the materials and equipment inventory is valued at the lower of purchase cost and net realisable value.

Overlifts / underlifts

Over and underlifts are valued using the entitlement method. A creditor / debtor is created to register the obligation / asset.

Financial Assets

Loans and Receivables

Trade and other receivables: - these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially measured at fair value and subsequently carried at amortised cost, using the effective interest rate method, less any provision for impairment. If the need for impairment of a receivable arises, the value of provision, representing the expected loss from not being able to recover such a receivable, is either recognised in cost of sales or charged against other operating income, depending on the nature of the receivable.

Cash and cash equivalents: - these are assets that comprise cash or short-term deposits. Short term deposits comprise deposits made for varying periods of between one day and three months.

2. Accounting policies of Emerald Energy Plc *(continued)*

Loans and Borrowings

Loans and borrowings are recorded at amortised cost as interest is charged at market rates. Repayments due within 12 months are classified under current liabilities with the balance of the loan as non-current liabilities.

Financial Liabilities

Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently recognised at amortised cost using effective interest rate method.

Right-of-use Assets

The Company recognizes the right-of-use assets on the commencement date of the lease (the date the identified asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted if there is any new measurement of the lease liabilities.
Assets recognized by right of use are amortized in a straight line during the lease term. Right-of-use assets are subject to impairment assessment.

Lease Liabilities

On the lease start date, the Company recognizes lease liabilities measured at the present value of lease payments to be made during the term of the contract. Variable payments not depending on an index or a rate are recognized as expenses in the period in which an event or condition indicates that the payment will be made.

To calculate the present value of lease payments, the Company will use the incremental debt rate on the start date of the lease. The book value of the lease liabilities is measured again if there is a change in the lease term, in the fixed payments or in the evaluation to buy the identified asset.

Short Term Leases and Lease of Assets at Low Value

The Company applies the recognition exemption to its leases for contracts which term is 12 months or less from the start date and do not contain a purchase option or renewal, and contracts in which the identified asset is considered to be of low value.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that is it probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

2. Accounting policies of Emerald Energy Plc *(continued)*

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited directly to other comprehensive income if it relates to items that are credited or charged to other comprehensive income. Otherwise, income tax is recognised in the income statement.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, yet the timing or amount of the obligation is uncertain. Discounting is applied if material.

Pensions

The Company does not have a pension scheme but is contractually committed to make defined contributions to the personal pension schemes on behalf of certain employees as part of their remuneration package and these are charged to the income statement as incurred.

Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Recoverability of Exploration and Evaluation Costs

Under the successful efforts-based method of accounting, the Company capitalises the exploration and evaluation costs until it is capable of determining whether its exploration efforts were successful and, if they were successful, whether the impairment charges may be required to bring the net book values of assets in line with their economic values, see Note 9.

The Company makes assessments and estimates regarding whether an exploration and evaluation asset should continue to be carried forward as such when insufficient information exists. Exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely in the future from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

The determination of reserves and resources is, in itself, an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written-off in the Consolidated Statement of Income in the period when the new information becomes available, for this purpose the Company use the proven and probable reserves certified by an external reserves auditor.

Useful Life of Tangible Oil & Gas Assets

Tangible oil & gas assets are amortised and depreciated over their useful lives. Useful lives are based on the management estimates of the period that the reserves of the assets will generate positive cash flows. Due to the long-life nature of these assets, changes to the estimates used can result in significant variations in the carrying value of these assets. The amortization of exploration and development costs is determined according to the method of production units per field, using as a base the total of proven and probable reserves, and considers the future capex requirements to develop the probable reserves.

2. Accounting policies of Emerald Energy Plc *(continued)*

Impairment Review and Depletion Calculations

While conducting an impairment review of and depletion calculation for its assets, the Company makes certain judgements in making assumptions about the future oil and gas prices, hydrocarbon reserves, exchange rates and future development and production costs. Changes in the estimates used can result in significant charges to comprehensive income. For current parameters please see note 9.

Cash flow estimates for impairment assessments of non-financial assets require assumptions about two primary elements: future prices and reserves. Estimates of future prices require significant judgments about highly uncertain future events. Historically, oil and gas prices have exhibited significant volatility, The process of estimating reserves is complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data.

Fields and facilities abandonments

Obligations related to the abandonment of wells once operations are terminated may result in the recognition of significant obligations. Estimating the future abandonment costs is difficult and requires management to make estimates and judgments because most of the obligations are many years in the future. Technologies and costs are constantly changing as well as political, environmental, safety and public relations considerations. The Company has adopted the following criterion for recognizing well plugging and abandonment related costs: The present value of future costs necessary for well plugging and abandonment is calculated for each area at the present value of the estimated future expenditure. The liabilities recognized are based upon estimated future abandonment costs, wells subject to abandonment, time to abandonment, and future inflation rates.

The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Recoverability of Deferred Tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

3. Profit / loss from operations

Profit / loss from operations is arrived at after charging/(crediting):	**2021**	2020
	$ '000	$ '000
Depletion and depreciation of oil and gas assets and other fixed assets	**12,938**	21,107
Exchange gains	**(3,149)**	85

		2021	2020
		$ '000	$ '000
Operating lease payments	- land and buildings	**162**	127
	- plant and machinery	**399**	812
Total lease payments recognised as an expense		**561**	939

4. Auditor's remuneration

	2021	2020
	$'000	$'000
Fees payable to the Company's Auditor for the audit of the Company's financial statements	122	118
Fees payable to other auditors for the audit of the Company's branch, pursuant to legislation	65	28

5. Staff costs and directors' remuneration

(a) Staff costs	2021	2020
	$ '000	$ '000
Wages and salaries	5,607	6,502
Social security costs	617	621
Pension costs	290	289
Other staff costs	888	759
Total	7,402	8,171

The average monthly number of employees (excluding directors) during the year was made up as follows:

	2021	2020
Colombia	88	87
London	2	2
Total	90	89

(b) Directors' remuneration in 2021; Nil (2020; Nil)

Key management personnel are considered to be the directors. Directors are paid by other companies that are part of the Sinochem Company of companies and no recharge is made to this company.

6. Administrative expenses

	2021	2020
	$ '000	$ '000
Personnel	5,909	6,919
Professional Fees	1,982	1,899
Office Costs	572	690
Travel & Entertainment	178	37
Insurance	45	48
Contributions, Miscellaneous & Other	537	926
Depreciation of Other Non-Current Assets	283	393
Total	9,506	10,912

7. Finance income and cost

	2021	2020
Finance income	**$ '000**	$ '000
Interest receivable on cash deposits	**238**	91
Other finance income	**14**	4
Exchange gains	**3,149**	
Total finance income	**3,401**	95

	2021	2020
Finance cost	**$ '000**	$ '000
Interest expense on financial liabilities measured at amortised cost	**(2,649)**	(1,762)
Accretion expense, calculated using effective interest rate method	**(383)**	(1,272)
Total interest expense	**(3,032)**	(3,034)
Banking charges and other finance costs	**(209)**	(262)
Exchange loss	**-**	(85)
Total	**(3,241)**	(3,381)

8. Taxation

Reconciliation of the Total Tax Charge

The expense in the Statement of Comprehensive Income for the year is higher than the standard rate of corporation tax in the UK of 19% 2021 and 2020. The company has made an election for foreign branch exemption under CTA09/S18A which was granted and applies from accounting period commencing 1st January 2012 therefore doesn't expect to pay any UK tax on foreign branch profits. The applicable standard corporate income tax rate in Isle of Man is 0% and therefore the company doesn't expect to pay any Isle of Man tax either.

The differences are reconciled below:	2021	2020
	$ '000	$ '000
Current income tax charge	**(222)**	(216)
Adjustment in respect of prior years	**(9)**	102
	(231)	(114)
Deferred tax:		
Timing differences	**(68,000)**	25,833
Total tax benefit / (expense)	**(68,231)**	25,719
(Loss) / Profit before tax	**198,352**	(107,379)
Accounting profit / loss multiplied by the UK standard rate of corporation tax of 19 % for the year and 2021 (2020: 19%), results in a tax (charge) / credit of	**(37,687)**	20,402
Tax Effects of:		
Different tax rates applied in overseas jurisdictions*	**(24,134)**	13,557
Expenses and income not deductible or taxable for tax purposes	**(5,884)**	(8,024)
Minimum presumptive tax	**-**	(216)
Losses not recognised	**(526)**	-
Total tax (charge) / credit	**(68,231)**	25,719

8. Taxation *(Continued)*

*Overseas Taxation

Effective corporation tax rate, applicable to the Company's activities in Colombia of 31%, exceed the applicable rate of corporation tax in the UK. Corporation tax rate in Colombia for 2022 and onwards will be 35%.

	2021 $'000	2020 $'000
Deferred Taxation – asset / (liability)		
Temporary differences brought forward	**40,739**	14,906
(Decrease) / increase of temporary differences	**(68,000)**	25,833
At 31 December	**(27,261)**	40,739
Deferred Tax Asset - Current	**6,744**	1,786
Deferred Tax Asset – Non-Current	-	38,953
Deferred Tax (Liability) - Current	-	-
Deferred Tax (Liability) -Non- Current	**(34,005)**	-
Total Deferred Tax Asset / (Liability)	**(27,261)**	**40,739**
Recognised deferred tax assets short term		
Deferred taxes are attributable to the following:		
Temporary differences on oil and gas assets	**4,036**	1
Other short term timing differences**	**2,708**	1,785
	6,744	1,786
Recognised deferred tax asset / (liability) long term		
Deferred taxes are attributable to the following:		
Fair value adjustments on Property, Plant & Equipment	**(3,174)**	(2,316)
Temporary differences on oil and gas assets	**(49,030)**	22,084
Other short term timing differences**	**5,574**	6,432
Tax losses	**12,625**	12,753
	(34,005)	38,953

**The other differences correspond to Accruals, Environmental and abandonment provision.

The variation of the deferred tax during 2021 was mainly caused by the temporary differences given by the amortization methods, and regulatory changes of the tax type regarding the limitations of the amortization expense for productive assets, reserves used in the amortization method by technical units of production and recognition of reversal impairment expenses during 2021. The impairment generates a temporary difference due to the impossibility of deduction under the tax parameters. The same dynamic is applied in the analysis of environmental provisions and abandonment of investments and facilities, the application of progressive income tax rates for 2021 is 31%, and 35% in 2022 and onwards, and the adjustment in compensation for tax losses.

9. Property, plant, and intangible assets

	Intangible	Property, Plant & Equipment			Total
	Interests in Oil & Gas Properties	Interests in Oil & Gas Properties	Other Fixed Assets	Total Property, Plant & Equipment	
Company	$ '000	$ '000	$ '000	$ '000	**$ '000**
Cost:					
At 31 December 2019	298,088	800,194	9,144	809,338	**1,107,426**
Additions	577	5,657	228	5,885	**6,462**
Unsuccessful exploration and evaluation costs	(262)	-	-	-	**(262)**
At 31 December 2020	298,403	805,851	9,372	815,223	**1,113,626**
Additions	**517**	**6,090**	**87**	**6,177**	**6,694**
Unsuccessful exploration and evaluation costs	**(470)**	-	-	-	**(470)**
At 31 December 2021	**298,450**	**811,941**	**9,459**	**821,400**	**1,119,850**
Depletion, depreciation & impairment:					
At 31 December 2019	220,686	611,521	8,526	620,047	**840,733**
Provided during the year:					
Depletion and depreciation	4,666	16,048	153	16,201	**20,867**
Impairment*	(1,292)	103,965	-	103,965	**102,673**
	3,374	120,013	153	120,166	**123,540**
At 31 December 2020	224,060	731,534	8,679	740,213	**964,273**
Depletion and depreciation	**1,451**	**11,204**	**92**	**11,296**	**12,747**
Impairment **	**(2,532)**	**(161,715)**	-	**(161,715)**	**(164,247)**
	(1,081)	**(150,511)**	**92**	**(150,419)**	**(151,500)**
At 31 December 2021	**222,979**	**581,023**	**8,771**	**589,794**	**812,773**
Net book value at 31 December 2021	**75,471**	**230,918**	**688**	**231,606**	**307,077**
Net book value at 31 December 2020	**74,343**	**74,317**	**693**	**75,010**	**149,353**
Net book value at 31 December 2019	**77,402**	**188,673**	**618**	**189,291**	**266,693**

* In 2021, as a result of new market variables, incorporation of new reserves, price differentials vs. the reference to Brent and Vasconia differential, technical and operational information available, the following (recoveries) expenses for impairment of exploration and exploitation assets are applicable to the Company, as follows:

9. Property, plant and intangible assets *(continued)*

For impairment testing purposes, the cash generating units (CGU) identified and evaluated as such are summarized below:

	2021	2020
Impairment (reversal)/ expense by CGU	$'000	$'000
Ombu *	(135,883)	70,488
Matambo **	(10,885)	25,861
Campo Rico***	(10,435)	3,929
Maranta****	(2,909)	3,168
OAM	(1,603)	519
ODC	(2,532)	(1,292)
	(164,247)	102,673

* For the year 2021 in the Ombú block there is a considerable increase in reserves, which is mainly caused by the increase in the oil reference prices used for the estimation of reserves a small amount due to the increase in technical volumes due to optimization of the CSS plan presented in 2021, in which steam cycles were increased to 767 in a total of 108 wells to be stimulated, supported by dynamic simulation studies, which caused the recovery factor to increase.

For the year 2020, for the Ombú block, there was a moderate increase in reserves due to the number of wells that have a high probability of exploitation and due to the economic limit on this contract; however, there were other factors that affected the economic evaluation of the block or field, due to the API degree that implies the acquisition of additives to improve the quality of the crude through the mixing process and the transportation costs that were higher due to its geographic location versus projected selling price in future years.

** For the year 2021 in Matambo, the reserves decreased , due to the cancellation of the drilling project for the Gigante-11 well, which in 2020 had probable and possible reserves. Likewise, the execution date of the Gigante-4 project to open in another formation (Monserrate) was deferred one year, which decreased the reserves as the life of the contract ends in November 2024 and, therefore, there is less time to extract reserves.
For the year 2020, it was evident that the Caballos formation generated a high exploitation uncertainty, so its reserves did not reach the category of probable and the development plans presented for the Gigante-3 well were rejected, therefore, Resulting in an impairment of $25.9 million.

*** Regarding the Campo Rico block, a considerable increase in reserves is shown thanks to the good production behaviour of the producing wells in the Vigia Sur field, in addition to the technical review of the original volume in place (OOIP) and recovery factors (FR%). Additionally, the proposal for four new producing wells (VGS-11, 12, 14 and 15) as proven undeveloped reserves PUD, as well as the optimization of one additional workover ("WO") in the Vigia Sur- 1 well to change the reservoir formation from Une to Mirador in 2022. The WO in the Vigia Sur-6 well with the optimization of the reservoir change to the Une formation managed to increase reserves in the proven development ("PD") category. There is also a slight increase in the Vigia field reserves as a good result of the performance of the WO carried out in the VG-5 well.

9. Property, plant and intangible assets *(continued)*

The tangible and intangible fixed assets were tested for impairment on a cash generating unit basis. The projections in the model include Brent in the short, medium and long term is: US $ 76.00 / barrel for 2022, US $ 73.87 / barrel for the medium term and US $ 78.66/ barrel from 2029.

These oil prices are based on international price forecasts. Production forecasts are based on qualified Company staff evaluations of producing fields' reserves and audited by an independent reserves expert. The period used is the shorter of exploitation period of the contract and expected production life of the field. The discount rate applied is 10% post tax, which has been benchmarked against other O&G companies operating in the region.

Other tangible fixed assets currently comprise furniture and fittings, communications and computer equipment and licenses and vehicles.

There is no restriction to the title of the above assets and none are pledged as security for liabilities at year end.

Sensitivity analysis

Pricing is based on international commodity pricing which is market based and has been run at prudent levels in line with market data. Management consider that the model tested for impairment is most sensitive to commodity price assumptions and have therefore performed a sensitivity analysis for those CGUs, where a reasonable possible change in prices could lead to impairment.

The following table sets out the approximate expected reduction in net book values of the tangible assets which would be recognised in 2021 at hypothetical decreases in oil prices:

	Decrease in Oil Price	Matambo, Ombu and Maranta Blocks	Campo Rico Block	Pipelines
Low sensitivity	5%	$37.3 million	$13.8 million	-
High sensitivity	10%	$24.5 million	$12.4 million	-

In addition, the Company perform sensitivity analysis on the impairment models to establish the impact of reasonably possible changes in other key variables such as production and inflation rates:

	Production	Matambo, Ombu and Maranta Blocks	Campo Rico Block	Pipelines
Low sensitivity	5%	$43.5 million	$14.1 million	-
High sensitivity	10%	$37.1 million	$12.9 million	-

	Inflation Rate	Matambo, Ombu and Maranta Blocks	Campo Rico Block	Pipelines
Low sensitivity	5%	$50.6 million	$15.3 million	-
High sensitivity	10%	$51.4 million	$15.4 million	-

10. Inventories

	2021	2020
	$ '000	$ '000
Oil inventory	1,818	3,701
Drilling materials	14,938	14,842
	16,756	18,543

The amount of inventories recognised as expenses in cost of sales was $2,200,037 (2020: $2,395,553).

11. Trade and other receivables

	2021	2020
	$ '000	$ '000
Trade receivables	-	748
Other receivables*	60,509	50,139
Prepayments	70	174
	60,579	51,061

*Other receivables correspond to accrued income $7.0 million (2020: $1.3 million), receivables from partners $8.4 million (2020: $3.8 million) and other receivables including VAT refunds of $3.1 million (2020: $3.0 million) related party amounts due $42.1 million (2020: $42.0 million).

12. Cash and cash equivalents

	2021	2020
	$ '000	$ '000
Cash at bank and in hand	69,991	37,372

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is $70.0 million (2020: $37.4 million).

13. Trade and other payables

	2021	2020
	$ '000	$ '000
Trade payables	3,651	2,472
Other payables*	26,397	15,276
	30,048	17,748

*Company amounts correspond to related party amounts due $13.2 million (2020: $10.5 million), Payables to partners $5.4 million (2020: $1.9 million) and Customer advances $5.7 million (2020: $1.9 million), Other payables $2.1 million (2020: $1.0 million). Company amounts correspond to intercompany accounts payable.

14. Provisions

Company	Decommissioning	Environmental	Litigation	Total
As at 31 December 2019:	$'000	$'000	$'000	$'000
Brought forward	12,249	5,109	984	(18,342)
Change in base cost	591	2,567	-	3,158
Provided for during the year	2,879	463	275	3,617
Interest accretion	1,134	-	-	1,134
Used during the year	(216)	(90)	-	(306)
Carried forward as at 31 December 2020:	16,637	8,049	1,259	25,945
Change in base cost*	119	(598)	-	(479)
Provided for during the year**	(1,121)	(1,432)	(58)	(2,611)
Interest accretion	305	-	-	305
Used during the year	(1,363)	(742)	-	(2,105)
Carried forward as at 31 December 2021	14,577	5,277	1,201	21,055

* Increase represents recalculations based on the latest estimated future costs
**represents an increase in the decommissioning programme required

Decommissioning is to abandon and plug non-performing wells and to dismantle facilities that are not in use at the time the block is relinquished. An estimated $7.10 million is expected to be utilised within one to five years and $8.66 million within six to ten years and the balance after ten years, in 2021, the abandonment provision is reduced due to uses during the year, as well as new technical estimates that allow some wells not to be abandoned or give them a longer useful life.

Environmental restoration is to restore the area to its original condition as if the exploration has never happened. The expenditures are mainly related to physical restoration of the land and plantation, analysis and evaluation of the result, compensation to local communities, permission and license and inspection fees. Is expected to be utilised within one to five years the entire provision, according to the commitment made before the ANLA, environmental authority in Colombia. The reduction in the provision is due to uses during the year and an adjustment made to the opening balance only at the working interest level.

Litigation provision includes construction of some pipelines and facilities without permission, water disposal without treatment and an oil spill by our contractors. The Colombian law says that an oil company is jointly liable for the damages resulting from an oil spill. The timing and amounts settled in respect of this provision is expected to be within one to five years.

15. Right-of-use assets

The amounts recognised for right-of-use assets and the movements during the period are as follows:

	Buildings	Right-of-use assets
	$'000	$'000
Balance as of 31 December 2019	744	744
Effect on the modification of the leasing terms	(123)	(123)
Period amortization	(240)	(240)
Balance as of 31 December 2020	381	381
Effect on the modification of the leasing terms	**(25)**	**(25)**
Period amortization	**(191)**	**(191)**
Balance as of 31 December 2021	**165**	**165**

*It corresponds to the lease of the administrative offices.

The initial contract for office lease determines that the contract may be terminated by either party, prior written notice sent to the other 90 days prior to the date of termination thereof and that it may be automatically extended for successive terms of 12 months, unless defined by means of an amendment, extend the contract for a different term. In any case, the agreed extension may not be less than 12 months.

Included below is the breakdown of book values of liabilities for leases and movements during the period:

	2021	2020
	$'000	$'000
Opening balance	**379**	750
Interest	**30**	85
Payments	**(293)**	(333)
Effect on the modification of the leasing terms	**(25)**	(123)
End Balance	**91**	379
Current	**91**	257
Non-Current	**-**	122

The following are the amounts recognized in profit and loss:

	2021	2020
	$'000	$'000
Depreciation of right-of-use assets	**191**	240
Interest expenses on lease liabilities	**30**	85
Total amount recognized in profit or loss	**221**	325

16. Financial instruments

The principal financial instruments used by the Company, are as follows:

Financial assets:
- Oil sale receivables;
- Other trade receivables;
- Cash at bank and cash equivalents;

Financial liabilities:
- Trade payables;
- Other payables;
- Accruals;
- Loans and borrowings

Financial Assets

	Company	
	2021	2020
Loans and receivables:	**$ '000**	$ '000
Oil and Gas sales receivables	**0.00**	748
Other receivables	**60,509**	50,139
Cash at bank and cash equivalents	**69,991**	37,372
	130,500	88,259

Financial Liabilities - current

	2021	2020
Held at amortised cost:	**$ '000**	$ '000
Trade payables	**3,651**	2,472
Other payables	**26,397**	15,276
Accruals	**9,871**	6,393
	39,919	24,141

	2021	2020
Financial Liabilities – non-current	**$ '000**	$ '000
Held at amortised cost:		
At the beginning of the year*	**65,000**	65,000
Repayments	**(10,000)**	-
Loans and borrowings	**55,000**	65,000

** Intercompany loan arose to repay third party $110m loan. The loan is US Dollar denominated and interest is at a variable rate agreed between the parties every 3 months. The effective rate applied for the year was 4.02% (2020 – 2.69%), the loan term is 4 years, in 2021 there was a repayment for$10m.*

Fair Value of Financial Assets and Liabilities

At 31 December 2021 and 2020, the fair value and the book value of the Company's financial assets and liabilities were materially the same.

17. Financial risk management

The Company is exposed to risks that arise from its use of financial instruments. It is the overall responsibility of the Board to determine the risk management objectives and policies of the Company. While retaining the ultimate responsibility for them, the Board has delegated the authority for designing and operating processes that ensure the effective implementation of these objectives and policies to the finance function of the Company. The Board regularly reviews the effectiveness of the processes put in place and, when required, approves specific policies and procedures designed to mitigate the financial risks.

There have been no substantive changes in Company's exposure to financial instrument risks other than stated in this note. The principal financial instruments used by the Company, from which financial risk arises, are as follows:

- Trade and other receivables;
- Cash at bank and cash equivalents;
- Trade and other payables;
- Loans and borrowings
- Accruals

The principal financial instruments used by the Company from which financial risk arises, are as follows:

- Trade and other payables.

Credit Risk

Credit risk arises principally from the Company's trade receivables. It is the risk that the counterparty fails to discharge its obligations in respect of the instrument.

Trade Receivables

The Company currently generates and sells all of its oil and gas production in Colombia. The customers are limited to a small number of large oil and gas companies. By the nature of their size, market positioning and reputation, these customers represent low counterparty risk.
The existing customers and the key terms of the sale contracts are regularly reviewed by the executive directors of the Board and any changes in these contracts require approval of the executive committee of the Board in accordance with the financial operating procedures adopted by the Company.

17. Financial risk management *(continued)*

The following tables illustrate the concentrations of credit risk within the Company as at the reporting date.

Current financial assets classified as loans and receivables ageing analysed by country:

At 31 December 2021	Total	Current	30 Days Past Due	+60 Days Past Due	+180 Days Past Due	+365 Days Past Due
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Oil and Gas sales receivables:						
Colombia	-	-	-	-	-	-
Other receivables:						
Colombia	18,412	16,850	28	1,533	1	-
Head office	42,097	-	-	-	-	42,097
	60,509	16,850	28	1,533	1	42,097
Total	60,509	16,850	28	1,533	1	42,097

At 31 December 2020	Total	Current	30 Days Past Due	+60 Days Past Due	+180 Days Past Due	+365 Days Past Due
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Oil and Gas sales receivables:						
Colombia	748	748	-	-	-	-
Other receivables:						
Colombia	8,093	7,378	39	676	-	-
Head office	42,046		-	-	-	42,046
	50,139	7,378	39	676	-	42,046
Total	50,887	8,126	39	676	-	42,046

Cash at Bank and Cash Equivalents

In relation to its cash and cash equivalents, the Company has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Company maintains its cash resources.

Under the treasury policy of the Company, approved by the Board and operated by the finance function, the corporate head office in London acts as the treasury centre of the Company. Business units maintain the minimum cash balances required by their operations. Cash proceeds from oil sales are being paid into the bank accounts directly controlled by the corporate treasury of the Company. On a continuous basis, at least 75% of Company cash resources controlled by the corporate treasury are maintained with financial institutions with the counterparty credit rating of at least AA or higher (using Standard & Poor's classification). No cash resources controlled by the corporate treasury can be held with financial institutions with credit rating lower than A.

17. Financial risk management *(continued)*

Maximum Exposure to Credit Risk

The Company's maximum exposure to credit risk by class of financial instrument is shown in the table below:

	2021		2020	
	Carrying Value	**Maximum Exposure**	Carrying Value	Maximum Exposure
	$ '000	**$ '000**	$ '000	$ '000
Trade receivables:				
Oil sales receivables	-	-	748	748
Other receivables	**60,509**	60,509	50,139	50,139
	60,509	60,509	50,887	50,887
Cash & cash equivalents	**69,991**	69,991	37,372	37,372
Total	**130,500**	130,500	88,259	88,259

The maximum credit risk for trade receivables analysed by geographical concentration can be seen in the aged trade receivable analysed by country' table in the trade receivables section above; there is no difference between the carrying amount and the maximum credit risk exposure.

Financial Assets Neither Past Due nor Impaired

For the years reported all of the Colombian oil and gas sales and other receivables were with creditworthy counterparties with no history of defaults.

Financial Assets Past Due or Impaired

At year end 2021 and 2020 there were no financial assets past due or impaired.

Liquidity Risk

Liquidity risk arises from Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Company seeks to maintain cash balances (and agreed facilities) to meet expected requirements for a period of at least 45 days.

The Company maintains an integrated business performance and cash flow forecasting model, incorporating most recent financial information (updated monthly) with the business plan and current year budget and management forecast of benchmark oil prices. The company performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Board receives rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances and Company performance against budget. At the reporting date, these projections indicate that the Company expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances by drawing down on its agreed facilities within the Sinochem Company.

17. Financial risk management *(continued)*

The following table illustrates the contractual maturity analysis of the Company's financial liabilities, including the liabilities that must be settled gross based, where relevant, on balance sheet interest rates and exchange rates prevailing at the reporting date.

	Trade and Other Payables	Related party	Accruals	Total
	$ '000	$ '000	$ '000	$ '000
As at 31 December 2021:				
On demand	**13,008**	**13,157**	**9,556**	**35,721**
In 1 month	**3,628**	**-**	**-**	**3,628**
Between 1 and 6 months	**-**	**-**	**-**	**-**
Between 6 months and 1 year	**255**	**-**	**315**	**570**
Total	**16,891**	**13,157**	**9,871**	**39,919**

	Trade and Other Payables	Related party	Accruals	Total
	$ '000	$ '000	$ '000	$ '000
As at 31 December 2020:				
On demand	1,982	10,512	-	12,494
In 1 month	1,906	-	5,879	7,785
Between 1 and 6 months	3,089	-	199	3,288
Between 6 months and 1 year	259	-	315	574
Total	7,236	10,512	6,393	24,141

Market Risk

Market risk arises from the Company's engagement in exploration for and production of hydrocarbons, which the Company sells on a spot market basis, and the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows generated through the sale of hydrocarbons or relating to a financial instrument will fluctuate because of changes in the market price of oil (oil price risk) or in interest rates (interest rate risk) or in foreign exchange rates (currency risk).

Oil Price Risk

The Company sells its oil on a basis linked to spot prices. Recognising that it is exposed to the oil price risks, the Company has no immediate plans to engage in any form of oil price hedging.

Interest Rate Risk

It is the Company's current policy not to eliminate interest rate risk over the cash flows on its long-term debt finance through the use of fixed rate instruments. Currently, the long-term outstanding debt is paying variable interest until maturity on the outstanding balance.

It is the Company's policy not to invest its cash in interest rate risk bearing instruments, such as traded corporate bonds; and, other than fixed rate deposits, the cash can be invested into money market funds with the principal stability rating of AA or higher.

17. Financial risk management *(continued)*

Currency Risk

The oil sales revenues, generated by the Company, are computed in US dollars. A small portion of the operating and capital costs is either incurred in or linked to US dollar. The Company manages its currency risk by way of a natural hedging whereby:

- Whenever possible, proceeds of sales are received in US dollars;
- All debt instruments are denominated in US dollars;
- Cash assets in currencies other than US dollar are kept at minimum levels required by the Company's operations.

In order to maintain this policy effectively, the Company's corporate office in London acts as a treasury centre of the Company, where all US Dollar revenues generated from oil sales are received in US dollars, with controlled entities requesting cash required to repay their liabilities with maturities up to, but not exceeding 30 days.

The Company is exposed to currency risk on payments for goods and services made to the local suppliers in the jurisdictions of its operations. It is the Company's policy not to hedge currency risk exposure.

At 31 December of 2021, these currency exposures were as follows:

	UK Pounds Sterling	Colombian Peso	Total
	$ '000	$ '000	$ '000
As at 31 December 2021:			
Cash	(98)	2,672	**2,574**
Other monetary assets	25	11,475	**11,500**
Monetary liabilities	(352)	(18,399)	**(18,751)**
Net monetary liabilities	(425)	(4,252)	**(4,677)**

	UK Pounds Sterling	Colombian Peso	Total
	$ '000	$ '000	$ '000
As at 31 December 2020:			
Cash	-	2,821	**2,821**
Other monetary assets	27	6,177	**6,204**
Monetary liabilities	(456)	(10,922)	**(11,378)**
Net monetary liabilities	(429)	(1,924)	**(2,353)**

The effect of a 5% strengthening of US dollar exchange rates against Sterling, Euro and Colombian peso at the balance sheet date on the Sterling, Euro and Colombian peso denominated net monetary assets / (liabilities) at that date would, all other variables held constant, have resulted in a foreign exchange gain of $1.2million (2020: gain of $1.1 million). Conversely, the effect of a 5% weakening of US dollar exchange rates against Sterling, Euro and Colombian peso at the balance sheet date would, on the same basis, have resulted in a $1.3 million foreign exchange loss (2020: loss of $1.2 million).

17. Financial risk management *(continued)*

Capital

The Company seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern. The primary objective of the Company is maximising shareholder value, which, from the capital perspective, is achieved by maintaining the capital structure that is most suited for the Company's size, strategy and underlying business risk. The capital employed by the company is comprised of both net debt and equity attributable to shareholders.

As at 31 December:	**2021**	2020
	$ '000	$ '000
Borrowings	**55,000**	65,000
Less: cash and cash equivalents	**(69,991)**	(37,372)
Net debt	**(14,991)**	27,628
Equity attributable to shareholders	**314,183**	184,061

The capital employed by the Company is comprised of equity attributable to shareholders.

Net Debt Reconciliation

		Cash flows			
	1st January 2021	**Accrued Interest**	**Capital Repayment**	**Interest Paid**	**31st December 2021**
Borrowings:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Emerald Energy Plc	75,513	2,645	(10,000)	-	68,158

18. Authorised and issue share capital

As at 31 December 2021 the total issued share capital of Emerald Energy Plc is comprised of 31,880,257 ordinary shares of 10p each (2020 - 31,880,257).

	2021	2020
Authorised share capital	**£ '000**	£ '000
At 31 December		
100,000,000 ordinary shares of 10p each	**10,000**	10,000

	Number of Ordinary Shares in 2021	**2021**	2020
Allotted, called-up and fully paid share capital		**$ '000**	$ '000
Shares in issue at 1 January and 31 December	**31,880,257**	**5,744**	5,744

	2021	2020
Share premium	**$ '000**	$ '000
Shares in issue at 1 January and 31 December	**279,790**	279,790

19. Capital commitments

At 31 December 2021, the minimum work obligations under exploration contracts in Colombia under the ANH ("Agencia Nacional de Hidrocarburos") concession contracts amounted to $9.3 million (2020: $17.6 million). No provisions have been made for these commitments in the financial statements. The Company had no capital commitments

20. Related party transactions

The ultimate controlling party is the Chinese State Owned Assets Supervision Administration Commission (SASAC).

On the 29th December 2017 the ultimate parent changed from Sinochem Company Co. Ltd, to Beijing Hua Cheng Xin Global Investment Ltd, a company incorporated outside of the United Kingdom. Beijing Hua Cheng Xin Global Investment Ltd is the largest Company undertaking for which Company financial statements are prepared. The smallest Company undertaking for which Company financial statements are prepared is Sinochem Resources UK Limited.

Details of directors' remuneration and intra-Company loans are given in note 5 and note 16 respectively.

During the year, the Company entered into transactions, in the ordinary course of business on an arm's length basis, with related parties as follows:

Related party relationship	Type of transaction	Transaction amount		Balance owed	
		2021	2020	**2021**	2020
		$'000	$'000	**$'000**	$'000
Controlling party	Interest charges from SPEP Energy Hongkong Ltd	**2,645**	2,061	**13,158**	10,513
Sister Company	Recharges from Sinochem Petroleum E&P Co Ltd.	**1,000**	1,000	-	-
Sister company	Paid on behalf Sinochem United Kingdom Ltd	-	78	**42,096**	42,046
Sister company	Recharges from Sinochem United Kingdom Ltd	**143**	110	-	-

The Company has not made any impairment under the expected credit loss model in respect of related party receivables nor has any guarantee been given or received during 2021 or 2020 regarding related party transactions.

21. Dividends

The Directors do not recommend payment of a final dividend. During the year no interim dividend was paid (2020 – no dividends).

22. Event after reporting date

To December 31, 2021, and the date of issuance of these financial statements, there have been no significant events have occurred that could affect the financial situation of the Company. Additionally given the unpredictability of the potential impact of the recent conflict on the global economy between Russia and Ukraine, the Company considers that the fulfilment of its projections will not be affected. Consequently, the recoverability of its long-term assets and the continuity of the Company will not be affected by this worldwide event as of the date of this report.

There is no known of any other significant event that could affect the financial situation.